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Summary of Consolidated Financial Results for FY2022 (Unaudited)

(January 1, 2022 – December 31, 2022) [Japanese Standard] (Consolidated)

February 14, 2023

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 Date of Shareholders' Meeting: March 29, 2023 Scheduled payment date for dividends: March 30, 2023
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 Supplemental information: Yes
 Financial results briefing: Yes

(Amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for FY2022 (January 1, 2022 – December 31, 2022)

(1) Consolidated income information (The percentages represent the rates of increase (decrease) compared to the corresponding prior period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2022	628,909	15.1	169,158	14.1	176,568	15.7	128,178	10.6
FY2021	546,515	44.6	148,287	79.3	152,562	87.3	115,937	82.7

(Note) Comprehensive income FY2022: 180,405 million yen (22.1%)

FY2021: 147,752 million yen (170.6%)

	Basic earnings per share	Diluted earnings per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2022	1,408.22	—	18.9	23.1	26.9
FY2021	1,252.62	—	20.2	23.5	27.1

(Reference) Equity in earnings FY2022: — million yen

FY2021: — million yen

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2022	826,413	741,095	89.6	8,166.35
FY2021	705,370	616,651	87.3	6,697.82

(Reference) Shareholders' equity FY2022: 740,108 million yen

FY2021: 615,992 million yen

(3) Consolidated cash flow information

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
FY2022	110,684	(33,378)	(58,422)	417,266
FY2021	112,439	(20,129)	(58,774)	357,773

2. Dividend information

	Dividend per share					Total dividend (Annual)	Dividend payout ratio (Consolidated)	Dividend per shareholders' equity (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2021	—	117.50	—	117.50	235.00	21,698	18.8	3.8
FY2022	—	117.50	—	142.50	260.00	23,623	18.5	3.5
FY2023 (Forecast)	—	142.50	—	142.50	285.00	—	—	—

3. Forecasted consolidated business performance for FY2023 (January 1, 2023 – December 31, 2023)

(The percentages represent the rates of increase (decrease) compared to the corresponding prior period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half of FY2023	254,200	(16.3)	49,700	(38.6)	55,700	(39.5)	40,200	(41.4)	443.57
FY2023	500,000	(20.5)	105,000	(37.9)	119,500	(32.3)	86,500	(32.5)	954.44

*Notes

(1) Changes in significant subsidiaries during the year (Changes in specified subsidiaries due to changes in scope of consolidation): Yes
 New inclusion: - (Company name) Exclusion: 1 (Company name) DashAmerica, Inc. (Pearl Izumi USA)

(2) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

- ① Changes in accounting policies in accordance with revision of accounting standards: Yes
 ② Changes in accounting policies other than ① above: None
 ③ Changes in accounting estimates: None
 ④ Retrospective restatement: None

(3) Number of shares of common stock issued

- ① Number of shares of common stock issued at year-end (including treasury stock):
 ② Number of shares of treasury stock at year-end:
 ③ Average number of shares during the year:

FY2022	91,160,100 shares	FY2021	92,390,000 shares
FY2022	531,034 shares	FY2021	420,938 shares
FY2022	91,021,710 shares	FY2021	92,556,104 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for FY2022 (January 1, 2022 – December 31, 2022)

(1) Non-consolidated income information (The percentages represent the rates of increase (decrease) compared to the corresponding prior period.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2022	368,070	18.0	75,017	18.9	85,199	31.6	63,920	35.7
FY2021	311,823	43.0	63,083	101.0	64,744	(8.4)	47,107	(27.2)

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
FY2022	702.25	—	—	—
FY2021	508.96	—	—	—

(2) Non-consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2022	268,115	209,751	78.2	2,314.39
FY2021	257,233	200,912	78.1	2,184.56

(Reference) Shareholders' equity FY2022: 209,751 million yen FY2021: 200,912 million yen

This financial report is outside the scope of audit by certified public accountants or audit corporations.

Explanation regarding the appropriate use of forecasts of business performance and other special items

The forecasts of consolidated business performance and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that management believes reasonable and actual business performance may differ materially from those described in such statements due to various factors. For details of assumptions for the forecasts and other related items, please refer to page 4 of the attached document. Shimano Inc. accepts no liability whatsoever for any direct or consequential loss arising from any use of this document.

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1. Overview of Business Results

(1) Overview of Operations for FY2022

During fiscal year 2022, while restrictions on activities to tackle the spread of the novel coronavirus (COVID-19) were eased, the outlook for the global economy remained uncertain due to soaring resource and commodity prices caused by the prolonged situation in Ukraine and monetary tightening measures aimed at curbing inflation taken by central banks in various countries, among other factors.

In Europe, consumer sentiment was sluggish against a backdrop of concerns about resource and energy supply, rising prices, the prolonged high inflation and other factors, which increased fears of an economic slowdown.

In the U.S., while rises in policy rates to tame high inflation put downward pressure on economy, personal consumption remained firm backed by a solid employment environment.

In China, intermittent restrictions on economic activities under the zero-COVID policy slowed down a pickup in personal consumption, and economic recovery remained lackluster.

In Japan, rising prices caused by soaring resource prices and the depreciation of the yen put downward pressure on personal consumption, but signs of a gradual recovery in economy were seen as the normalization of economic activities progressed under the with-COVID policy.

In this environment, demand for bicycles and fishing tackle remained firm, although showing signs of cooling down, and for fiscal year 2022, net sales increased 15.1% from the previous year to 628,909 million yen. Operating income increased 14.1% to 169,158 million yen, ordinary income increased 15.7% to 176,568 million yen, and net income attributable to owners of parent increased 10.6% to 128,178 million yen.

Reportable Segment Overview

Bicycle Components

Although the strong interest in bicycles during the COVID-19 pandemic showed signs of cooling down, demand for bicycles remained above the pre-COVID-19 levels. In terms of market inventories of completed bicycles, those of high-end class bicycles remained at a low level. Meanwhile, inventory levels of middle-class bicycles rose, following those of entry-class bicycles.

Overseas, in the European market, sales of bicycles and bicycle-related products remained firm, partly backed by strong interest in bicycles. Despite shortages in inventories of completed bicycles, especially e-bikes and high-end class road bikes, market inventories remained somewhat high.

In the North American market, although demand for bicycles was firm, market inventories remained higher than appropriate levels due to the supply adjustment of completed bicycles.

In the Asian and South and Central American markets, consumer sentiment declined due to high inflation and interest in bicycles cooled off. However, in the Chinese market, market inventories of sport bikes remained at a low level, with a growing interest in cycling under the zero-COVID policy, especially in road bikes.

In the Japanese market, although demand for sport bikes and e-bikes remained firm, market inventories of general completed bicycles remained high.

Under these market conditions, order-taking was brisk for a wide range of products, including the new product SHIMANO 105 that is a high-end model for road bikes, and sport e-bike components, SHIMANO STEPS series.

As a result, net sales from this segment increased 16.6% from the previous year to 517,436 million yen, and operating income increased 15.9% to 144,994 million yen.

Fishing Tackle

While interest in fishing that had grown globally showed signs of cooling down, robust demand for fishing tackle was seen in some areas.

In the Japanese market, sales of mid- to high-priced products remained strong with fishing styles going diversified, although sales of popularly priced products for families and beginners slowed down.

Overseas, in the North American market, demand for fishing tackle showed signs of cooling down as a whole. However, demand for saltwater products remained firm and sales remained strong.

In the European market, while high inflation and other factors caused a sense of stagnation in the market in the U.K., sales remained strong in the areas of Southern and Eastern Europe.

In the Asian market, sales were favorable in tandem with market growth fueled by robust demand for fishing tackle. In the Chinese market, there remained impacts from stringent lockdown measures. However, after the lifting of restrictions, vigorous movements were seen in demand for fishing tackle.

In the Australian market, demand for fishing tackle remained strong and sales remained firm, despite some impacts from unfavorable weather conditions.

Under these market conditions, new products such as spinning reels MIRAVEL were well-received in the market. In addition, spinning reels STELLA and ULTEGRA XTE, as well as electric reels BEASTMASTER MD and other products continued to earn popularity.

As a result, net sales from this segment increased 8.4% from the previous year to 110,993 million yen, and operating income increased 4.5% to 24,163 million yen.

Others

Net sales from this segment increased 7.2% from the previous year to 479 million yen and operating income of 1 million yen was recorded, following an operating income of 20 million yen for the previous year.

(2) Overview of Financial Position for FY2022

Total assets as of the end of fiscal year 2022 amounted to 826,413 million yen, an increase of 121,043 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 65,909 million yen in cash and time deposits, an increase of 24,438 million yen in merchandise and finished goods, an increase of 9,490 million yen in buildings and structures, an increase of 5,633 million yen in investment securities, an increase of 4,302 million yen in machinery and vehicles, and a decrease of 7,402 million yen in construction in progress.

Total liabilities amounted to 85,318 million yen, a decrease of 3,401 million yen compared with the figure as of the previous fiscal year-end. The principal factors included a decrease of 3,757 million yen in accounts payable-trade.

Net assets amounted to 741,095 million yen, an increase of 124,444 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 71,877 million yen in retained earnings and an increase of 51,945 million yen in foreign currency translation adjustments.

As a result, the shareholders' equity ratio was 89.6% compared with 87.3% as of the previous fiscal year-end, and net assets per share were 8,166.35 yen compared with 6,697.82 yen as of the previous fiscal year-end.

(3) Overview of Cash Flows for FY2022

Net cash provided by operating activities amounted to 110,684 million yen compared with 112,439 million yen provided for the previous year. The main cash inflows included income before income taxes amounting to 174,112 million yen. The main cash outflows included income taxes paid amounting to 49,445 million yen, and inventories amounting to 23,939 million yen.

Net cash used in investing activities amounted to 33,378 million yen compared with 20,129 million yen used for the previous year. The main cash inflows included proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation amounting to 5,307 million yen. The main cash outflows included acquisition of property, plant and equipment amounting to 20,247 million yen, purchases of time deposits amounting to 8,118 million yen, and acquisition of intangible assets amounting to 7,265 million yen.

Net cash used in financing activities amounted to 58,422 million yen compared with 58,774 million yen used for the previous year. The main cash outflows included acquisition of treasury stock amounting to 34,412 million yen and cash dividends to shareholders amounting to 21,497 million yen.

As a result, cash and cash equivalents at the end of the year were 417,266 million yen.

Cash flow indicators are shown in the following table.

	FY2018	FY2019	FY2020	FY2021	FY2022
Equity ratio (%)	90.0	90.8	89.6	87.3	89.6
Market value equity ratio (%)	285.5	305.8	378.1	399.8	229.4
Interest-bearing debt to cash flow ratio (years)	0.04	0.08	0.04	0.06	0.05
Interest coverage ratio (times)	253.4	610.3	793.5	908.2	658.2

(Notes)

1. Each indicator is calculated using the consolidated results based on the formula indicated below:

Equity ratio:	Shareholders' equity / Total assets
Market value equity ratio:	Total market capitalization / Total assets
Interest-bearing debt to cash flow ratio:	Interest-bearing debt / Operating cash flow
Interest coverage ratio:	Operating cash flow / Interest paid

2. Total market capitalization is calculated by:

Closing stock price on the last day of the fiscal year × The number of shares of common stock issued and outstanding at the end of the fiscal year, less treasury stock.

3. Interest-bearing debt covers all debt in the consolidated balance sheet for which interest is paid.
4. Cash flows from operating activities and the amount of interest payments stated in the consolidated statements of cash flows are used as operating cash flow and interest paid.

(4) Forecast for the Future

There is concern that global supply chains will be disrupted by supply constraints and heightened political tension caused by geopolitical risks that have emerged, such as the prolonged situation in Ukraine, and that high inflation dragging on and tight monetary policies adopted globally may put downward pressure on economy.

In Europe, there is concern that soaring resource and energy prices and supply constraints that may restrain economic activities, as well as prolonged high inflation, may slow down economic recovery.

In the U.S., there is concern that high inflation and rises in policy rates may put downward pressure on economy.

In China, there is concern that economic recovery will slow down due to stagnation in economic activities caused by the spread of COVID-19 and a deterioration in the real estate market.

In Japan, it is expected that economy will pick up due to the normalization of economic activities. Meanwhile, economic downturns overseas and a decline in consumer sentiment caused by rising prices may influence the economy.

In these circumstances, the Company emphasizes not only striving to develop and manufacture “captivating products” that bring sensations to many people as a “development-oriented digital manufacturing company” of Japan origin, while closely monitoring trends in demand for bicycles and fishing tackle, but also moving forward step by step as a “value creating company” that continues to create a shared value between corporations and society. We will endeavor to further enhance management efficiency and strive for sustainable corporate growth by pursuing the creation of new cycling and fishing culture.

Forecasted consolidated business performance for the fiscal year ending December 31, 2023 is indicated below.

(Millions of yen)

	FY2023	Change from the previous year (%)
Net sales	500,000	(20.5)
Operating income	105,000	(37.9)
Ordinary income	119,500	(32.3)
Net income attributable to owners of parent	86,500	(32.5)

Sales forecasts by segment are indicated below.

(Millions of yen)

		First half		Second half		Full year	
		Amount	%	Amount	%	Amount	%
Bicycle components	Japan	5,100	2.0	4,300	1.8	9,400	1.9
	Overseas	194,900	76.7	191,700	78.0	386,600	77.3
	Sub-total	200,000	78.7	196,000	79.8	396,000	79.2
Fishing tackle		54,000	21.2	49,500	20.1	103,500	20.7
Others		200	0.1	300	0.1	500	0.1
Total		254,200	100.0	245,800	100.0	500,000	100.0

(5) Dividend Policy and Cash Dividends for FY2022 and FY2023

The Company considers the return of earnings to shareholders to be one of the most important issues for management. The Company's basic policy is to continue providing stable returns reflecting overall business performance and strategy. In accordance with the above policy, the Company intends to pay out year-end cash dividends of 142.50 yen per share, an increase of 25 yen per share from the year-end cash dividends paid in the previous year. As a result, cash dividends for the full year of fiscal year 2022 will amount to 260 yen per share, an increase of 25 yen per share from the cash dividends paid in the previous year.

The Company intends to pay out cash dividends of 285 yen per share for fiscal year 2023 (142.50 yen for interim and year-end cash dividends, respectively).

2. Basic Approach to the Selection of Accounting Standards

The Shimano Group prepares consolidated financial statements in conformity with the generally accepted accounting principles in Japan (Japanese GAAP), taking into consideration comparability of consolidated financial statements over time and comparability among companies. The Shimano Group will take into consideration the domestic and international situations for appropriate adoption of the IFRS in the future.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	FY2021	FY2022
	As of Dec. 31, 2021	As of Dec. 31, 2022
Assets		
Current assets		
Cash and time deposits	364,519	430,429
Notes and accounts receivable-trade	52,186	55,201
Merchandise and finished goods	55,528	79,966
Work in process	39,498	42,733
Raw materials and supplies	8,232	8,209
Others	8,876	12,523
Allowance for doubtful accounts	(298)	(310)
Total current assets	528,544	628,754
Fixed assets		
Property, plant and equipment		
Buildings and structures	112,017	124,159
Accumulated depreciation	(44,160)	(46,153)
Accumulated impairment loss	(108)	(766)
Buildings and structures (net)	67,748	77,239
Machinery and vehicles	89,730	102,424
Accumulated depreciation	(68,337)	(76,673)
Accumulated impairment loss	(94)	(150)
Machinery and vehicles (net)	21,298	25,600
Land	13,765	13,936
Leased assets	6,932	7,826
Accumulated depreciation	(1,953)	(2,615)
Accumulated impairment loss	(4)	(5)
Leased assets (net)	4,973	5,205
Construction in progress	26,151	18,749
Others	57,734	62,160
Accumulated depreciation	(52,261)	(55,606)
Accumulated impairment loss	(6)	(40)
Others (net)	5,466	6,513
Total property, plant and equipment	139,405	147,244
Intangible assets		
Goodwill	3,274	3,065
Software	6,190	10,059
Software in progress	3,935	4,970
Others	2,727	1,745
Total intangible assets	16,128	19,841
Investments and other assets		
Investment securities	14,061	19,694
Deferred income taxes	6,053	6,728
Net defined benefit asset	—	2,645
Others	1,641	1,941
Allowance for doubtful accounts	(463)	(436)
Total investments and other assets	21,292	30,573
Total fixed assets	176,826	197,659
Total assets	705,370	826,413

(Millions of yen)

	FY2021 As of Dec. 31, 2021	FY2022 As of Dec. 31, 2022
Liabilities		
Current liabilities		
Accounts payable-trade	24,352	20,595
Short-term loans payable	3,133	2,151
Lease obligations	827	928
Income taxes payable	23,170	21,899
Accrued employee bonuses	3,467	3,682
Accrued officer bonuses	172	198
Others	26,402	29,153
Total current liabilities	81,528	78,608
Long-term liabilities		
Long-term loans payable	2	—
Lease obligations	2,298	2,298
Deferred income taxes	2,164	2,522
Net defined benefit liability	2,104	1,210
Others	621	678
Total long-term liabilities	7,191	6,709
Total liabilities	88,719	85,318
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,640	5,640
Retained earnings	566,263	638,141
Treasury stock	(13,284)	(12,909)
Total shareholders' equity	594,232	666,485
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	3,620	3,537
Foreign currency translation adjustments	18,139	70,085
Total accumulated other comprehensive income	21,759	73,623
Non-controlling interests	659	986
Total net assets	616,651	741,095
Total liabilities and net assets	705,370	826,413

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

	(Millions of yen)	
	FY2021 Jan. 1, 2021 to Dec. 31, 2021	FY2022 Jan. 1, 2022 to Dec. 31, 2022
Net sales	546,515	628,909
Cost of sales	315,097	363,264
Gross profit	231,417	265,645
Selling, general and administrative expenses	83,129	96,486
Operating income	148,287	169,158
Non-operating income		
Interest income	1,419	5,985
Dividend income	819	643
Foreign exchange gains	3,386	3,323
Others	670	1,069
Total non-operating income	6,294	11,022
Non-operating expenses		
Interest expenses	116	154
Contribution	984	1,120
Loss on disposal of fixed assets	503	172
Voluntary recall expenses	1	1,389
Others	414	774
Total non-operating expenses	2,020	3,612
Ordinary income	152,562	176,568
Extraordinary income		
Insurance income	*1 345	-
Gain on sale of investment securities	*2 1,282	-
Total extraordinary income	1,627	-
Extraordinary losses		
Impairment loss	-	*3 733
Subsidiary restructuring loss	-	*4 491
Loss on sales of shares of subsidiaries	-	*5 98
Loss on factory reconstruction	461	1,132
Total extraordinary losses	461	2,456
Income before income taxes	153,728	174,112
Income taxes-current	37,758	46,494
Income taxes-deferred	(162)	(818)
Total income taxes	37,596	45,676
Net income	116,132	128,436
Net income attributable to non-controlling interests	194	257
Net income attributable to owners of parent	115,937	128,178

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2021	FY2022
	Jan. 1, 2021 to Dec. 31, 2021	Jan. 1, 2022 to Dec. 31, 2022
Net income	116,132	128,436
Other comprehensive income		
Unrealized gain (loss) on other securities	1,161	(82)
Foreign currency translation adjustments	30,458	52,051
Total other comprehensive income	31,620	51,969
Comprehensive income	147,752	180,405
(Breakdown)		
Comprehensive income attributable to owners of parent	147,556	180,042
Comprehensive income attributable to non-controlling interests	196	362

(3) Consolidated Statements of Shareholders' Equity
FY2021 (From January 1, 2021 to December 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	35,613	5,642	498,046	(154)	539,146
Changes of items during the year					
Cash dividends paid			(36,616)		(36,616)
Net income attributable to owners of parent			115,937		115,937
Acquisition of treasury stock				(24,235)	(24,235)
Cancellation of treasury stock		(1)	(11,103)	11,104	—
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	(1)	68,217	(13,130)	55,085
Balance at end of year	35,613	5,640	566,263	(13,284)	594,232

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of year	2,458	(12,318)	(9,859)	498	529,785
Changes of items during the year					
Cash dividends paid					(36,616)
Net income attributable to owners of parent					115,937
Acquisition of treasury stock					(24,235)
Cancellation of treasury stock					—
Net changes of items other than shareholders' equity	1,161	30,457	31,618	160	31,779
Total changes of items during the year	1,161	30,457	31,618	160	86,865
Balance at end of year	3,620	18,139	21,759	659	616,651

FY2022 (From January 1, 2022 to December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	35,613	5,640	566,263	(13,284)	594,232
Changes of items during the year					
Cash dividends paid			(21,515)		(21,515)
Net income attributable to owners of parent			128,178		128,178
Acquisition of treasury stock				(34,412)	(34,412)
Disposal of treasury stock		1		0	1
Cancellation of treasury stock		(1)	(34,786)	34,787	—
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	71,877	375	72,252
Balance at end of year	35,613	5,640	638,141	(12,909)	666,485

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of year	3,620	18,139	21,759	659	616,651
Changes of items during the year					
Cash dividends paid					(21,515)
Net income attributable to owners of parent					128,178
Acquisition of treasury stock					(34,412)
Disposal of treasury stock					1
Cancellation of treasury stock					—
Net changes of items other than shareholders' equity	(82)	51,945	51,863	327	52,191
Total changes of items during the year	(82)	51,945	51,863	327	124,444
Balance at end of year	3,537	70,085	73,623	986	741,095

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	FY2021	FY2022
	Jan. 1, 2021 to Dec. 31, 2021	Jan. 1, 2022 to Dec. 31, 2022
Cash flows from operating activities:		
Income before income taxes	153,728	174,112
Depreciation and amortization	18,749	20,992
Impairment loss	–	733
Allowance for doubtful accounts	(207)	(39)
Insurance income	(345)	–
Loss (gain) on sale of investment securities	(1,282)	–
Interest and dividend income	(2,238)	(6,628)
Interest expenses	116	154
Foreign exchange losses (gains)	(3,053)	(1,065)
Notes and accounts receivable	(12,496)	(1,594)
Inventories	(24,651)	(23,939)
Accounts payable	4,384	(4,821)
Net defined benefit asset	–	(2,645)
Net defined benefit liability	(835)	(945)
Loss on factory reconstruction	461	1,132
Subsidiary restructuring loss	–	491
Loss (gain) on sales of shares of subsidiaries	–	98
Loss on sales and disposal of property, plant and equipment	465	96
Others, net	3,393	(772)
Subtotal	136,189	155,357
Interest and dividend income received	2,226	4,940
Insurance income received	345	–
Interest expenses paid	(123)	(168)
Income taxes paid	(26,197)	(49,445)
Net cash provided by operating activities	112,439	110,684
Cash flows from investing activities:		
Purchases of time deposits	(2,260)	(8,118)
Proceeds from maturities of time deposits	1,635	2,090
Acquisition of property, plant and equipment	(16,156)	(20,247)
Proceeds from sales of property, plant and equipment	90	160
Acquisition of intangible assets	(3,878)	(7,265)
Payments for loss on factory reconstruction	(432)	(626)
Acquisition of investment securities	(431)	(4,999)
Proceeds from sale of investment securities	1,415	–
Short-term loans receivable, net	(28)	(228)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	5,307
Others, net	(84)	548
Net cash used in investing activities	(20,129)	(33,378)

(Millions of yen)

	FY2021 Jan. 1, 2021 to Dec. 31, 2021	FY2022 Jan. 1, 2022 to Dec. 31, 2022
Cash flows from financing activities:		
Short-term loans payable, net	2,987	(1,446)
Repayments of long-term loans payable	(7)	(6)
Repayments of lease obligations	(888)	(1,018)
Acquisition of treasury stock	(24,235)	(34,412)
Proceeds from disposal of treasury stock	-	1
Cash dividends to shareholders	(36,596)	(21,497)
Cash dividends to non-controlling shareholders	(35)	(42)
Net cash used in financing activities	(58,774)	(58,422)
Effect of exchange rate changes on cash and cash equivalents	24,041	40,608
Net increase (decrease) in cash and cash equivalents	57,576	59,492
Cash and cash equivalents at beginning of year	300,197	357,773
Cash and cash equivalents at end of year	357,773	417,266

(5) Notes relating to Consolidated Financial Statements

(Note concerning Assumption of Going Concern)

Not applicable.

(Note on Significant Change in the Amount of Shareholders' Equity)

(Acquisition of treasury stock)

The Company acquired 518,000 shares of common stock on February 18, 2022, and 311,900 shares of common stock on March 16, 2022 through Off-auction Own Share Repurchase Trading (ToSTNeT-3) on the Tokyo Stock Exchange, based on the resolution of the Board of Directors meeting held on July 27, 2021, and acquired 213,000 shares of common stock on August 10, 2022, and 296,700 shares of common stock on August 25, 2022 through Off-auction Own Share Repurchase Trading (ToSTNeT-3) on the Tokyo Stock Exchange, based on the resolution of the Board of Directors meeting held on April 26, 2022. As a result, treasury stock increased by 34,412 million yen during fiscal year 2022, including the increase due to acquisition of fractional shares.

(Cancellation of treasury stock)

The Company canceled 400,000 shares of treasury stock on January 25, 2022 based on the resolution of the Board of Directors meeting held on January 18, 2022 and 829,900 shares of treasury stock on May 9, 2022 based on the resolution of the Board of Directors meeting held on April 26, 2022. As a result, capital surplus, retained earnings, and treasury stock decreased by 1 million yen, 34,786 million yen, and 34,787 million yen, respectively, during fiscal year 2022.

(Preparation of the Consolidated Financial Statements - Significant Matters)

(Consolidation)

During fiscal year 2022, DashAmerica, Inc. (Pearl Izumi USA) was excluded from the scope of consolidation due to the transfer of all its shares.

(Changes in Accounting Policies)

(Adoption of the Accounting Standard for Revenue Recognition, etc.)

The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc. at the beginning of fiscal year 2022. Accordingly, the Company recognized revenue at an amount it expected to receive in exchange for a promised good or service at a time when control over such good or service was transferred to a customer.

As a result, with regard to chargeable supplied transactions within group companies, while the Company recognized the disposal of supplied items such as raw materials provided for a fee in the past, the method has been changed so that, in cases where the Company carries the obligation of buying back the supplied items, the disposal of the supplied items is not recognized.

In adopting the Revenue Recognition Accounting Standard, etc., the Company followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the Company adjusted retained earnings as of the beginning of fiscal year 2022 with the cumulative effect that would be obtained if the Company retrospectively adopted the new accounting policy prior to the beginning of fiscal year 2022, and adopted the new accounting policy with the adjusted beginning balance. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

As a result, these changes in accounting policies do not affect the beginning balance of retained earnings and gain or loss for fiscal year 2022.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes on revenue recognition for the previous fiscal year are not provided.

(Adoption of the Accounting Standard for Fair Value Measurement, etc.)

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. at the beginning of fiscal year 2022. According to the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will continue to adopt new accounting policies set forth by the Fair Value Measurement Accounting Standard, etc. in the future. There is no impact on the consolidated financial statements for fiscal year 2022.

(Notes relating to Consolidated Statements of Income)

*1. Insurance income

FY2021 (Jan. 1, 2021 - Dec. 31, 2021)

The Shimano Group recorded insurance income covering the fire that broke out at the Head Office Factory (Sakai-ku, Sakai City) on March 26, 2018.

*2. Gain on sale of investment securities

FY2021 (Jan. 1, 2021 - Dec. 31, 2021)

This arose from the sale of some of the investment securities held by the Shimano Group (three listed stocks and two unlisted stocks).

*3. Impairment loss

FY2022 (Jan. 1, 2022 - Dec. 31, 2022)

The Shimano Group recorded impairment loss on the following asset.

Location	Use	Category	Amount
Shimano Europe B.V.	Distribution warehouse	Buildings and structures, etc.	733 million yen

(Background)

As a result of the decision to restructure supply chains based on outsourcing, the book value of the distribution warehouse owned by Shimano Europe B.V., a consolidated subsidiary, was reduced to the recoverable amount, and the amount of decline was recorded as an impairment loss.

(Method of grouping)

The Shimano Group assets are grouped by reportable segment and in the minimum unit that produces cash flow.

(Method of calculation of a recoverable amount)

Net realizable values are calculated using reasonable estimates based on real estate appraisal amounts and other factors.

*4. Subsidiary restructuring loss

FY2022 (Jan. 1, 2022 - Dec. 31, 2022)

The Shimano Group recorded expenses pertaining to the restructuring of supply chains of Shimano Europe B.V., a consolidated subsidiary.

*5. Loss on sales of shares of subsidiaries

FY2022 (Jan. 1, 2022 - Dec. 31, 2022)

The Shimano Group recorded loss on sales of shares resulting of subsidiaries as it transferred its shares of DashAmerica, Inc. (Pearl Izumi USA), a consolidated subsidiary.

(Segment Information)

[Segment Information]

1. Overview of reportable segments

The reportable segments of the Company are those units for which separate financial information is available, and which are regularly examined by the Board of Directors concerning decisions on the allocation of management resources and for assessing business performance. The Company operates through the three divisions of Bicycle Components, Fishing Tackle and Others.

Principle products of each reportable segment are listed below.

Reportable segment	Principal products
Bicycle Components	Derailleurs and other drive components, brakes and other braking components, other bicycle components and related goods
Fishing Tackle	Reels, rods and other recreational fishing gear
Others	Rowing-related equipment, etc.

2. Basis for calculating sales, income (loss), assets, liabilities and other items by reportable segment

Accounting methods applied for calculation of sales, income (loss), assets, liabilities, and other items by reportable segment are the same as those used for preparing the consolidated financial statements.

3. Information on sales, income (loss), assets, liabilities and other items by reportable segment and disaggregation of revenue

FY2021 (Jan. 1, 2021 - Dec. 31, 2021)

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
Third parties	443,678	102,388	447	546,515	—	546,515
Inter-segment	—	—	—	—	—	—
Total	443,678	102,388	447	546,515	—	546,515
Segment income (loss)	125,146	23,120	20	148,287	—	148,287
Segment assets	225,915	45,806	682	272,404	432,966	705,370
Other items						
Depreciation and amortization	15,875	2,400	38	18,314	—	18,314
Amortization of goodwill	346	88	—	434	—	434
Increase in property, plant and equipment and intangible assets	15,821	2,811	5	18,639	1,890	20,529

Notes: 1. Segment assets adjustment was 432,966 million yen, the main items of which were surplus funds (cash and time deposits) and corporate assets. The expenses, such as depreciation and amortization related to property, plant and equipment and intangible assets classified in Adjustment, have been allocated to each reportable segment.

2. There is no difference between total segment income (loss) and operating income in the consolidated statements of income.

FY2022 (Jan. 1, 2022 - Dec. 31, 2022)

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
Goods to be transferred at a point in time	517,436	110,993	479	628,909	—	628,909
Goods to be transferred over a period of time	—	—	—	—	—	—
Revenue from contracts with customers	517,436	110,993	479	628,909	—	628,909
Third parties	517,436	110,993	479	628,909	—	628,909
Inter-segment	—	—	—	—	—	—
Total	517,436	110,993	479	628,909	—	628,909
Segment income (loss)	144,994	24,163	1	169,158	—	169,158
Segment assets	255,295	59,095	641	315,032	511,381	826,413
Other items						
Depreciation and amortization	17,861	2,629	38	20,529	—	20,529
Amortization of goodwill	370	92	—	463	—	463
Increase in property, plant and equipment and intangible assets	19,209	5,582	2	24,793	2,968	27,762

- Notes:
1. Segment assets adjustment was 511,381 million yen, the main items of which were surplus funds (cash and time deposits) and corporate assets. The expenses, such as depreciation and amortization related to property, plant and equipment and intangible assets classified in Adjustment, have been allocated to each reportable segment.
 2. There is no difference between total segment income (loss) and operating income in the consolidated statements of income.
 3. Net sales includes revenue from contracts with customers and other revenue; however, most of the revenue is generated from contracts with customers, therefore other revenue is not deemed important and is thus not displayed separately.

[Related information]

Information by geographical area

Net Sales

FY2021 (Jan. 1, 2021 - Dec. 31, 2021)

(Millions of yen)

Japan	North America	Europe	Asia	Other	Total
55,181	49,932	227,456	190,388	23,556	546,515

Note: Net sales are classified by countries and regions according to customer location.

FY2022 (Jan. 1, 2022 - Dec. 31, 2022)

(Millions of yen)

Japan	North America	Europe	Asia	Other	Total
54,383	57,643	299,934	191,479	25,468	628,909

Note: Net sales are classified by countries and regions according to customer location.

(Per Share Data)

	FY2021 Jan. 1, 2021 to Dec. 31, 2021	FY2022 Jan. 1, 2022 to Dec. 31, 2022
Net assets per share	6,697.82 yen	8,166.35 yen
Basic earnings per share	1,252.62 yen	1,408.22 yen

Notes: 1. Diluted earnings per share is not presented because there were no securities with dilutive effect.

2. Basis for calculation of basic earnings per share

Basic earnings per share

	FY2021 Jan. 1, 2021 to Dec. 31, 2021	FY2022 Jan. 1, 2022 to Dec. 31, 2022
Net income attributable to owners of parent (millions of yen)	115,937	128,178
Amount not attributable to common shareholders (millions of yen)	—	—
Net income attributable to owners of parent related to common stock (millions of yen)	115,937	128,178
Average number of shares of common stock outstanding (thousand shares)	92,556	91,021

(Significant Subsequent Events)

Not applicable.